

Message Text

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C O N F I D E N T I A L MILAN 0567

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SUBJECT: ALFA ROMEO: BATTERED ITALIAN SYMBOL

1. SUMMARY: ALFA ROMEO'S BESIEGED PRESIDENT GAETANO CORTESI DISAGREES WITH THOSE WHO SAY ITALY'S MAJOR STATE-OWNED COMPANY IS INCURABLY ILL THOUGH HE WOULD FEEL BETTER ABOUT CHANCES FOR SURVIVAL IF ALFA-SUD LIMB WERE REMOVED. END SUMMARY.

2. ECON AND POL OFFICERS SPOKE APRIL 11 WITH CORTESI, WHO DOWNPLAYED MEDIA FOCUS ON ALFA'S FISCAL HEALTH AND CURRENT STRUGGLE WITH UNIONS REGARDING COMPANY'S ATTEMPTS TO UP PRODUCTION OF HIGHLY SUCCESSFUL GIULIETTA. WHAT WAS REALLY IMPORTANT, SAID CORTESI, WAS JANUARY AGREEMENT WHEREBY FOR FIRST TIME UNIONS ACCEPTED SHARE OF RESPONSIBILITY FOR INCREASING ALFA'S PRODUCTIVITY. CURRENT HIGHLY VISIBLE EXCHANGE OF FIRE BETWEEN ALFA AND UNIONS SHOULD BE VIEWED AS SQUEAKS AND RATTLES EXPECTED FROM NEW MODEL JUST OFF PRODUCTION LINE. UNION AGITATION AND CLAMOR WAS SMOKE-SCREEN RATHER THAN BATTLE CRY, PURPOSE BEING TO PREPARE RANK AND FILE FOR BIG UNION POLICY SHIFTS THAT INCLUDED PROGRAM OF SACRIFICE AND ROLLED-UP SLEEVES.

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3. CORTESI REELED OFF FOLLOWING UNION CONCESSIONS.
A. UNIONS HAVE AGREED TO REDUCTION OF 120 ASSEMBLY-LINE EMPLOYEES WITH NO CHANGE IN PRODUCTION LINE. CORTESI ESTIMATED ANNUAL SAVINGS OF APPROX \$US 1.2 MILLION, NOT MUCH IN VIEW OF ALFA'S 1977 LOSSES OF 150 MILLION. BUT AS WITH UNIDAL CASE, IT REPRESENTED SIGNIFICANT SHIFT FROM PREVIOUSLY INTRANSIGENT UNION POSITION.

B. UNION HAD ACCEPTED MANagements PROPOSAL TO CONVERT PART OF ALFETTA GTV ASSEMBLY LINE TO PRODUCTION OF GIULIETTA, SHIFT WHICH WILL INCREASE GIULIETTA DAILY PRODUCTION FROM 260 TO 280 UNITS. CORTESI DOUBTED UNIONS WOULD HAVE BEEN THIS FLEXIBLE SIX MONTHS AGO.

C. LATER THIS MONTH, ALFA WOULD BEGIN EXPERIMENTAL PROGRAM IN ONE SECTION OF MAIN GIULIETTA PRODUCTION LINE TO SYSTEM USED BY FIAT AND MOST AUTO COMPANIES, WHICH GIVES FOREMAN OF EACH ASSEMBLY LINE SECTTION (30-50 MEN) AUTHORITY TO MAKE LINE PERSONNEL SHIFTS TO KEEP LINE MOVING. ALFA'S CURRENT SYSTEM WAS UNFORTUNATE INNOVATION UNDER PREVIOUS MANAGEMENT AND ALLOWED EACH MAN ON LINE VIRTUALLY TO WRITE HIS OWN JOB DESCRIPTION.

4. UNION OFFICIALS HAD RELUCTANTLY AGREED THESE CONCESSIONS NECESSARY IF ALFA WAS TO AVOID MAJOR SURGERY AND HAVE CHANCE OF RECOVERY.

5. THERE WERE STILL POINTS OF DISAGREEMENT OF COURSE AND ONE CONCERNED UNION OPPOSITION TO OVERTIME. WITHOUT MINIMUM OF 15 WEEKS OF AT LEAST ONE SATURDAY PRODUCTION SHIFT, SAID CORTESI, THERE WAS NO WAY FOR ALFA TO FULFILL LARGE BACKLOG OF ORDERS FOR POPULAR GIULIETTA, 60 PERCENT OF WHICH BEING SOLD ABROAD. UNIONS, AWARE THAT MOST WORKERS UNWILLING TO CONFIDENTIAL

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ACCEPT SATURDAY SHIFT WITHOUT OVERTIME, HAD PROPOSED COMPROMISE OFFERING SATURDAY SHIFT NOW WITH COMPENSATORY TIME OFF LATER IN YEAR. CORTESI HAD REJECTED IT. WHAT GOOD WAS THAT SOLUTION, SAID CORTESI, ESPECIALLY IF DEMAND FOR GIULIETTA REMAINED HIGH AS ALFA ENVISIONED?

6. WHAT ABOUT UIL SECRETARY GIORGIO BENVENUTO'S UNEXPECTED SPEECH OF LAST WEEK ECHOING LAMA'S EARLIER CALL FOR UNION PRAGMATISM? (SEE ROME 6487). CORTESI WELCOMED IT AND SAID IT COULD DO NOTHING BUT HELP ALFA'S POSITION WITH LOCAL UNIONS. CORTESI ADDED THAT, FROM DISCUSSIONS WITH UNNAMED FRIENDS IN ROME, HE HAD CONCLUDED THAT BENVENUTO'S EFFORT SPRANG MORE FROM PERSONAL AMBITION THAN CONVICTIONS.

7. AND ALFA SUD? HERE RESIGNATION REPLACED CORTESI'S PREVIOUS GUARDED OPTIMISM. HE APPEARED TO HAVE GIVEN UP HOPE FOR TROUBLED AND BURDENSOME NAPLES PLANT. ALFA SUD WAS CURRENTLY LODING MONEY AT INCREDIBLE RATE OF US \$5,000 PER YEAR FOR EACH EMPLOYEE FOR A TOTAL OF ABOUT \$100 MILLION PER YEAR. ALFA'S CONTRIBUTION TO NATIONAL EFFORT TO DEVELOP SOUTH MIGHT NEVER BE ALLOWED TO FOLD, BUT NEITHER WOULD IT EVER MAKE MONEY.

8. BUT ALFA WAS BASICALLY IN GOOD SHAPE, CORTESI INSISTED, WITH MODERN PLANT AND PRODUCTS THAT WERE IN HIGH DEMAND. ITS PROBLEMS WERE POLITICAL. ELIMINATE ALFA SUD, REDUCE ABSENTEEISM FROM INTOLERABLE 15-25 PERCENT LEVEL OF PAST YEAR, PROCEED WITH UNION CONCESSIONS OUTLINED ABOVE - AND ALFA WOULD AGAIN BE HEALTHY.

9. IN SUM, CORTESI PAINTED PICTURE OF STRUGGLING BUT STILL VIGOROUS NORTHERN PROMETHEUS CHAINED TO ENERVATING SOUTHERN ROCK. SINCE CHAIN RAN THROUGH ROME, IT WAS UNLIKELY TO BE BROKEN. ALFA'S MANAGEMENT, SAID CORTESI, WOULD CONTINUE WORKING WITH NORTHERN UNIONS IN EFFORT TO RESCUE ALFA SUD WHILE HOPING AGAINST HOPE THAT SOME OF IMPROVEMENT IN OFFING HERE WILL EVENTUALLY FILTER DOWN TO THE SOUTH.FINA
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